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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE  
Chairman

BOB STUMP

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BRENDA BURNS

Commissioner

Arizona Corporation Commission

DOCKETED

JUL 25 2011

DOCKETED BY

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IN THE MATTER OF THE QWEST  
CORPORATION AND QWEST  
COMMUNICATIONS COMPANY, LLC -  
APPLICATION FOR APPROVAL OF THE  
TRANSFER OF CERTIFICATES OF  
AUTHORITY IN ASSOCIATION WITH  
INTERNAL CORPORATE  
RESTRUCTURING

DOCKET NO. T-01051B-01-0456  
T-02811B-01-0456

DECISION NO. 72493

ORDER

Open Meeting  
July 12 and July 13, 2011  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On May 24, 2011, CenturyLink, Inc. ("CenturyLink") filed a letter informing the Arizona Corporation Commission ("Commission") of CenturyLink's announced acquisition of Savvis, Inc. ("Savvis"). Arizona Administrative Code ("A.A.C.") R14-2-803 requires that any utility or affiliate intending to organize a public utility holding company or reorganize an existing public utility holding company will notify the Commission's Utilities Division in writing at least 120 days in advance. A.A.C. R14-2-803 also lists specific information that is to be included in the Notice of Intent. CenturyLink states in its letter to the Commission that a notice of intent to organize or reorganize a public utility holding company is not required pursuant to the waiver granted by the Commission in Decision No. 64654, on March 25, 2002.

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1 Background

2           2.       On July 7, 1992, U S WEST Communications, Inc. ("USWCI") filed a verified  
3 application for a waiver of compliance with A.A.C. R14-2-803 and -805, for its parent U S WEST,  
4 Inc., and all affiliates of USWCI. In that proceeding, Staff recommended approval of the waiver  
5 of A.A.C. R14-2-803 with conditions, but did not recommend approval of A.A.C. R14-2-805.  
6 Staff stated that its recommendation to include conditions was intended to ensure that notices of  
7 intent regarding occurrences which have little or no relevance to Arizona operations will not be  
8 required, yet will provide protection to Arizona ratepayers from unreasonable capital costs, and  
9 unreasonable allocated costs. Staff also stated that its recommendation concerning a limited  
10 waiver of the requirements of A.A.C. R14-2-803 will serve the ratepayers, the Commission and  
11 USWCI well by maintaining Commission oversight of any transaction that might negatively affect  
12 Arizona operations, while removing the possibly onerous filing requirement burden from USWCI.

13           3.       Decision No. 58087, dated November 23, 1992, which addresses the application for  
14 a waiver states:

- 15           A.     that a waiver of R14-2-803 is granted subject to conditions,  
16           B.     that USWCI, its parent USWI, and all affiliates of USWCI not regulated by the  
17 Commission, are required to file a notice of intent to organize or reorganize a  
18 public utility holding company only for those organizations or reorganizations  
19 which are likely to: 1) result in increased capital costs to USWCI; 2) result in  
20 additional costs allocated to the Arizona jurisdiction; or 3) result in a reduction  
21 of USWCI's net operating income,  
22           C.     that no cumulative threshold or "exempt" amount applies to any organization  
23 or reorganization planned by USWCI, its parent USWI, or any affiliate of  
24 USWCI which would result in any or all of the three impacts listed above,  
25           D.     that USWCI is to file annually, at the time USCWI provides the information  
26 required by R14-2-805, an affidavit from its Chief Executive Officer which  
27 lists the transactions for which USWCI, its parent USWI or any affiliate of  
28 USWCI not regulated by the Commission, has not filed a notice of intent  
pursuant to the waiver granted herein, and which certifies that such  
transactions will not result in either increased capital costs to USWCI,  
additional costs being allocated to the Arizona jurisdiction, or a reduction of  
USWCI's net operating income, and  
          E.     that USWCI's application for a waiver of A.A.C. R14-2-805 is denied.

          4.       In Decision No. 65654, the Commission reaffirmed that the limited waiver of the  
Commission's Affiliated Interests Rules previously granted to US WEST Communications, Inc. in

1 Decision No. 58087, applies in its entirety to Qwest Communications Corporation, Qwest  
2 Corporation, their affiliates, and their parent Qwest Communications International, Inc. The  
3 Commission also granted Qwest Communications Corporation, Qwest Corporation, their affiliates,  
4 and their parent Qwest Communications International, Inc. a limited waiver of A.A.C. R14-2-803,  
5 subject the conditions previously implemented in Decision No. 58087.

6 5. In Decision No. 72232, dated March 9, 2011, the Commission approved the merger  
7 of Qwest Communications International Inc. with CenturyLink, Inc. subject to the terms and  
8 conditions set forth in the Settlement Agreement dated November 24, 2010, among Qwest  
9 Communications International Inc., CenturyLink, Inc., the Commission's Utilities Division Staff  
10 and the Residential Utility Consumer Office. The merger is also subject to the terms and  
11 conditions set forth in, the settlement agreements between the Joint Applicants and Cox Arizona  
12 Telcom, LLC; tw telecom of arizona, llc; Integra Telecom; Communications Workers of America,  
13 AFL-CIO, CLC; the United States Department of Defense and All Other Federal Executive  
14 Agencies; 360networks (USA), inc., and the settlement agreement between Qwest Corporation and  
15 Westel Inc.

16 The Transaction

17 6. On April 27, 2011, CenturyLink announced an agreement to acquire Savvis, Inc. in  
18 a cash and stock merger valued at \$40 per share. Under the terms of the transaction, Savvis  
19 stockholders will receive \$30 per share in cash and \$10 in shares of CenturyLink common stock,  
20 subject to a cap. It is expected that the merger will close in the second half of 2011.

21 7. Savvis, based in St. Louis, Missouri, provides cloud (internet) infrastructure and  
22 hosted IT (information technology) services to nearly 2,500 government and business enterprise  
23 clients, including 32 of the top 100 companies in the Fortune 500. Savvis has 2,450 employees,  
24 and estimated 2011 revenues are \$1 billion with EBITDA of \$290 million. While the majority of  
25 its operations are in the United States, Savvis is a global company with operations in 45 countries;  
26 21 percent of revenues come from clients abroad.

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1           8.       CenturyLink anticipates integrating its hosting business and Savvis' managed  
2 hosting and cloud services into a single CenturyLink business unit. This entity will exist as a  
3 separate subsidiary of CenturyLink that will be wholly separate from Qwest Corporation.

4 Staff's Analysis and Conclusions

5           9.       The limited waiver granted in Decision No. 64654 states that Qwest is "required to  
6 file a notice of intent to organize or reorganize a public utility holding company only for those  
7 organizations which are likely to: (1) result in increased capital costs; (2) result in additional costs  
8 allocated to the Arizona jurisdiction; or (3) result in a reduction of Qwest Corporation's net  
9 operating income." In its letter to the Commission, CenturyLink supplied information supporting  
10 the proposition that the proposed acquisition of Savvis meets the waiver requirements.

11           10.      On March 9, 2011, the Commission, in Decision No. 72232 approved the proposed  
12 merger of Qwest Communications International Inc. ("Qwest, Inc."), the ultimate parent of Qwest,  
13 with CenturyLink, Inc. As a result of the merger, CenturyLink, Inc. became the parent of the  
14 Qwest entities and also became subject to the Affiliated Interests Rules. Decision No. 72232 did  
15 not address or amend the limited waiver put in place for Qwest Communications Corporation,  
16 Qwest Corporation, their affiliates, and their parent Qwest Communications International, Inc., in  
17 Decision No. 64654.

18           11.      The letter filed by CenturyLink presumes that the proposed transaction meets the  
19 waiver requirements outlined by the Commission in its orders. Because CenturyLink, Inc. is now  
20 the holding company parent of the Qwest entities, Staff does not believe that the waiver approved  
21 for Qwest Communications Corporation, Qwest Corporation, their affiliates, and their parent  
22 Qwest Communications International, Inc applies to CenturyLink, Inc.

23 Staff's Recommendations

24           12.      Staff has recommended that the Commission reaffirm that the limited waiver of the  
25 Commission's Affiliated Interests Rules previously granted to Qwest Communications  
26 Corporation, Qwest Corporation, their affiliates, and their parent Qwest Communications  
27 International, Inc. in Decision No. 64654, applies in its entirety to Qwest Communications  
28 Corporation, Qwest Corporation, their affiliates, and their parent CenturyLink, Inc. Staff has

1 further recommended that the Commission also grant Qwest Communications Corporation, Qwest  
2 Corporation, their affiliates, and their parent CenturyLink, Inc. a limited waiver of A.A.C. R14-2-  
3 803, subject the conditions previously implemented in Decision No. 64654.

4 13. Staff has reviewed the information CenturyLink included in its letter and concluded  
5 that the proposed transaction will not result in increased capital costs to Qwest Corporation, in  
6 additional costs allocated to the Arizona jurisdiction; or in a reduction of Qwest's net operating  
7 income. Staff has also concluded that this reorganization would not have required the filing of a  
8 Notice of Intent had a waiver been in place. Staff has recommended approval of the  
9 reorganization.

#### 10 CONCLUSIONS OF LAW

11 1. Qwest Corporation is a public service corporations within the meaning of Article  
12 XV of the Arizona Constitution and A.R.S. § 40-285.

13 2. The Commission has jurisdiction over Qwest Corporation and the subject matter in  
14 this filing.

15 3. The Commission, having reviewed the filing and Staff's Memorandum dated  
16 July 1, 2011, concludes that it is in the public interest to reaffirm the waiver and approve the  
17 transaction discussed herein.

#### 18 ORDER

19 IT IS THEREFORE ORDERED that the limited waiver of the Commission's Affiliated  
20 Interests Rules previously granted to Qwest Communications Corporation, Qwest Corporation,  
21 their affiliates, and their parent Qwest Communications International, Inc. in Commission  
22 Decision No. 64654 (March 25, 2002) is hereby reaffirmed to apply in its entirety to Qwest  
23 Communications Corporation, Qwest Corporation, their affiliates, and their parent CenturyLink,  
24 Inc. as described below.

25 IT IS FURTHER ORDERED that Qwest Communications Corporation, Qwest  
26 Corporation, their affiliates, and their parent CenturyLink, Inc. are hereby granted a limited waiver  
27 of A.A.C. R14-2-803, subject to the conditions described below.

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1       IT IS FURTHER ORDERED that Qwest Communications Corporation, Qwest  
2 Corporation, their affiliates, and their parent CenturyLink, Inc. are required to file a notice of  
3 intent to organize or reorganize a public utility holding company only for those organizations or  
4 reorganizations that are likely to: 1) result in increased capital costs to Qwest Corporation; 2)  
5 result in additional costs allocated to the Arizona jurisdiction; or 3) result in a reduction of Qwest  
6 Corporation's net operating income. No cumulative threshold or "exempt" amount shall apply to  
7 any organization or reorganization planned by Qwest Communications Corporation, Qwest  
8 Corporation, their parent CenturyLink, Inc., or any of their affiliates, that would result in any or all  
9 of the three impacts listed above.

10       IT IS FURTHER ORDERED that Qwest Corporation shall file annually, at the time it  
11 provides the information required by A.A.C. R14-2-805, an affidavit from its Chief Executive  
12 Officer that lists the transactions for which Qwest Communications Corporation, Qwest  
13 Corporation, their parent CenturyLink, Inc., or any of their affiliates, has not filed a notice of intent

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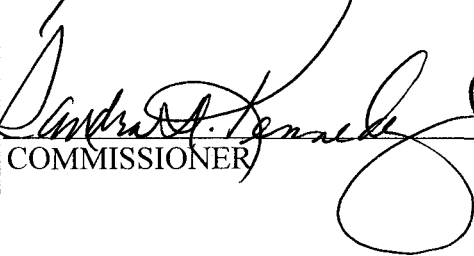
1 pursuant to the waiver granted herein, and which certifies that such transactions will not result in  
2 either increased capital costs to Qwest Corporation, additional costs being allocated to the Arizona  
3 jurisdiction, or a reduction of Qwest Corporation's net operating income.

4 IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

  
COMMISSIONER

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COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of  
16 this Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this 25<sup>th</sup> day of July, 2011.

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19 ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

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22 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR: Qwest Corporation and Qwest Communications Company, LLC  
2 DOCKET NOS. T-01051B-01-0456 and T-02811B-01-0456

3 Mr. Jerry D. Fenn  
4 Vice President  
5 Regional Regulatory and Legislative Affairs  
6 CenturyLink  
7 20 East Thomas Road – 1st Floor  
8 Phoenix, Arizona, 85012

9 Mr. Steven M. Olea  
10 Director, Utilities Division  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Ms. Janice M. Alward  
15 Chief Counsel, Legal Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007  
19  
20  
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23  
24  
25  
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